

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

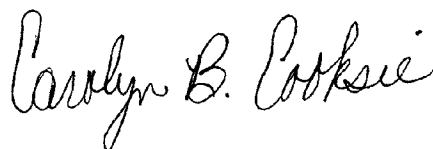
Notice FLP-40

1941-A

For: State and County Offices

Requirements for Youth Loans

Approved by: Deputy Administrator, Farm Loan Programs



1 Overview

A

Background

It has come to our attention that many State Offices have been processing youth loans with a blanket requirement of a cosignor for all applicants. This is against regulation. This notice provides guidance on the regulations for youth loans.

According to FmHA Instruction 1941-A, rural youth loans can be made to persons who:

- have reached the age of 10 but have not reached the age of 21
- do not reside in any city or town with a population of more than 10,000 inhabitants.

Projects must be initiated, developed, and carried out by rural youths participating in 4-H, FFA, or similar organizations. Projects must produce enough income to meet expenses and debt repayment.

B

Purpose

This notice informs offices about requirements for youth loans.

Disposal Date

March 1, 2000

Distribution

State Offices; State Offices relay to County Offices

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2 Requirements for Rural Youth Project Loans

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Recommendation by Parent and Group Leader

If otherwise eligible, a rural youth who applies for an OL loan must be recommended by a project advisor, such as a 4-H club advisor, vocational teacher, home economics teacher, county extension agent, or other organizational sponsor or advisor. In addition, a youth who has not reached the age of majority under State law must obtain a written recommendation from a parent or guardian. All recommendations will be filed with the application in the borrower's case file.

Note: The project advisor should work closely with the youth providing technical advice and assistance with the Farm Loan Manager.

B

Cosignors

A cosignor will be required only when it has been determined that the applicant cannot possibly meet the repayment or security requirements for the loan request.

Note: When a plan is feasible using realistic figures, no cosignor will be required.

3 Loan Limitations

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Loan Limitations

An OL loan will not be approved if the total outstanding youth loan principal balance will exceed \$5,000 at loan closing.

B

Contact

If there are questions about this notice:

- County Offices shall contact the State Office
 - State Offices shall contact LMD.
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